

TAYLOR HOUSING COMMISSION
TAYLOR, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Taylor Housing Commission	County* WAYNE	Type* OTHER	MuniCode*
Opinion Date-Use Calendar* November 26 12/3/08	Audit Submitted-Use Calendar* December 4, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	? \$6,601,704
General Fund Expenditure:	? \$6,934,958
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$5,310,284
Governmental Activities Long-Term Debt (see instructions):	?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Barry	Last Name* Gaudette	Ten Digit License Number* 1101011050		
CPA Street Address* 731 S. Garfield Avenue	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 2319468930
CPA Firm Name* Barry E. Gaudette, CPA, PC	Unit's Street Address* 15270 Plaza South Drive	Unit's City* Taylor	Unit's Zip* 48180	

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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Taylor Housing Commission
Taylor, Michigan

I have audited the accompanying financial statements of the business-type activities of Taylor Housing Commission, Michigan, (Housing Commission) a component unit of the City of Taylor, as of and for the year ended March 31, 2008, which comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The basic financial statements referred to above include only the Taylor Housing Commission (a component unit of the City of Taylor), which consists of programs that comprise the Housing Commission's legal entity. The financial statements do not include financial data for the Housing Commission's legally separate component unit, Taylor Community Development Corporation (a not-for-profit Michigan Corporation), which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Housing Commission. As a result, the Housing Commission financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Taylor Community Development Corporation, Michigan, as June 30, 2008, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting

Taylor Housing Commission
Independent Auditor's Report
Page Two

principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, Taylor Community Development Corporation, Michigan, has issued separate reporting entity financial statements for which other auditors have issued their report dated December 1, 2008.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Taylor Housing Commission, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 3, 2008, on my consideration of Taylor Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis comparison information on pages 4 through 12, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Taylor Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Taylor Housing Commission, Michigan. The combining financial

Taylor Housing Commission
Independent Auditor's Report
Page Three

statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Barry E. Jandrich, III, PC

December 3, 2008

**Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
March 31, 2008
(Unaudited)**

As management of the Taylor Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Taylor Housing Commission's financial activities for the fiscal year ended March 31, 2008. This discussion and analysis letter of the Taylor Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2008 were \$5,310,284. The net assets decreased by \$371,866, a decrease of 6.5% from the prior year.

Revenues and contributions for the Commission were \$6,601,704 for the fiscal year ended March 31, 2008. This was a decrease of \$276,441 or 4.0% from the prior year.

Expenses for the Commission were \$6,934,958 for the fiscal year ended March 31, 2008. This was an increase of \$2,600,685 or 60.0% over the prior year.

HUD operating grants were \$5,961,179 for the fiscal year ended March 31, 2008. This was a decrease of \$552,357 or 8.5% from the prior year. Capital contributions were \$277,552 for the fiscal year ended March 31, 2008. This was an increase of \$247,552 or 825.2% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented

Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

**Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008**

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Taylor Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly, disabled and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. The Housing Commission also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies, since the Housing Commission has less than 250 low rent units. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$5,310,284 at the close of the fiscal year ended March 31, 2008 a decrease from \$371,866 from the prior year. The decrease in net assets of \$371,866 was due to the change in net assets of \$333,254 for the fiscal year and a prior period adjustment of \$38,612.

**Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008**

FINANCIAL ANALYSIS (CONTINUED)

The unrestricted net assets were \$517,366 as of March 31, 2008. This amount may be used to meet the Commission's ongoing obligations. The Commission had net assets classified as restricted, in the amount of \$2,364,025, that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

**CONDENSED STATEMENTS OF NET ASSETS
MARCH 31,**

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Current and other assets	\$2,948,961	\$3,493,510	\$(544,549)	(15.6)%
Capital assets	<u>2,428,893</u>	<u>2,263,677</u>	<u>165,216</u>	7.3%
Total Assets	<u>5,377,854</u>	<u>5,757,187</u>	<u>(379,333)</u>	(6.6)%
Current liabilities	56,507	65,823	(9,316)	(14.2)%
Noncurrent liabilities	<u>11,063</u>	<u>9,214</u>	<u>1,849</u>	20.1%
Total Liabilities	<u>67,570</u>	<u>75,037</u>	<u>(7,467)</u>	(10.0)%
Net Assets:				
Invested in capital assets	2,428,893	2,263,677	165,216	7.3%
Restricted	2,364,025		2,364,025	100.0%
Unrestricted	<u>517,366</u>	<u>3,418,473</u>	<u>(2,901,107)</u>	(84.9)%
Total Net Assets	<u>\$5,310,284</u>	<u>\$5,682,150</u>	<u>\$(371,866)</u>	(6.5)%

Total current assets decrease of \$544,549 was due, in large part, to the Housing Choice Voucher programs operating loss of \$542,929 for the current fiscal year.

Current liabilities decreased by \$9,316 from the prior year, due in part, to tenant security deposits liability decreasing by \$4,653 and deferred revenues decreasing by \$4,287 from the prior year.

Long-term compensated absences of \$11,063 increased by \$1,849 over the prior fiscal year.

**Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008**

FINANCIAL ANALYSIS (CONTINUED)

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, and construction in progress) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions decreased by \$276,441, in large part, due to Federal grants decreasing by \$304,805 from the prior year. Rental income increased by \$19,934 because of tenant incomes increasing over the prior year. Interest income increased by \$20,329 in the Housing Choice Voucher program, due to the certificate of deposit earning interest for the entire fiscal year.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
MARCH 31,**

	<u>2008</u>	<u>2007</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Revenues and contributions				
Operating, nonoperating, capital contributions:				
Tenant Revenue	\$ 292,323	\$ 272,389	\$ 19,934	7.3%
Nondwelling rent	<u>7,959</u>	<u>7,249</u>	<u>710</u>	9.8%
Total PHA generated				
Revenue	300,282	279,638	20,644	7.4%
HUD operating grants	5,961,179	6,513,536	(552,357)	(8.5)%
Capital contributions	277,552	30,000	247,552	825.2%
Other income	20,370	29,720	(9,350)	(31.5)%
Interest income	<u>42,321</u>	<u>25,251</u>	<u>17,070</u>	67.6%
 Total Revenues and Contributions	 <u>6,601,704</u>	 <u>6,878,145</u>	 <u>(276,441)</u>	 <u>(4.0)%</u>

**Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008**

FINANCIAL ANALYSIS (CONTINUED)

	<u>2008</u>	<u>2007</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Expenses				
Personnel services	375,381	377,000	(1,619)	(0.4)%
Utilities	143,461	146,038	(2,577)	(1.8)%
Operations and maintenance	240,532	122,805	117,727	95.9%
Insurance	18,081	42,180	(24,099)	(57.1)%
Other supplies and expenses	119,579	134,675	(15,096)	(11.2)%
Housing Assistance Payments	5,880,512	3,357,887	2,522,625	75.1%
Depreciation	<u>157,412</u>	<u>153,688</u>	<u>3,724</u>	2.4%
Total Expenses	<u>6,934,958</u>	<u>4,334,273</u>	<u>2,600,685</u>	60.0%
Change in net assets	(333,254)	2,543,872	(2,877,126)	
Prior period adjustments	(38,612)	15,000	(53,612)	
Beginning net assets	<u>5,682,150</u>	<u>3,123,278</u>	<u>2,558,872</u>	
Ending net assets	<u>\$5,310,284</u>	<u>\$5,682,150</u>	<u>\$ (371,866)</u>	

Revenues:

Taylor Housing Commission's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. For fiscal year ending March 31, 2008, revenue generated by the Commission accounted for \$300,282 (or 4.5% of total revenue), while HUD contributions accounted for \$6,238,731 (or 94.5% of total revenue).

Expenses:

Total expenses for the fiscal year ending March 31, 2008 were \$6,934,958 while for the fiscal year ending March 31, 2007 was \$4,334,273. This represents a 60.0% increase in our operating costs, or \$2,600,685. The expenses increased, in large part, because of more Housing Assistance Payments were made to landlords this fiscal year, an increase of \$2,522,625 over the prior year, i.e. 97.0% of the increase. Fiscal year wages actually increased by \$28,816, therefore, the decrease of \$1,619 in personnel services was due to wages being classified in other accounts. Utilities decreased slightly by \$2,577, due to water and electricity costs

Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008

FINANCIAL ANALYSIS (CONTINUED)

Expenses (Continued):

decreasing by \$8,482 and fuel costs increasing by \$5,677. Operations and maintenance costs increased by \$117,727, due to more work being contracted out versus force account work, such as waterproofing the roof for \$7,893, a survey of \$2,970, cameras of \$1,353, boilers for \$24,030, and planning costs of \$19,000. Insurance decreased by \$24,099 by switching to a different insurance carrier. Other supplies and expenses decreased by \$15,096, in large part, due to the Housing Choice Voucher program spending \$12,391 less than the prior year on supplies and other expenses.

The following represents changes in Federal Assistance received:

	<u>03/31/08</u>	<u>03/31/07</u>	<u>Dollar</u> <u>Change</u>	<u>Per Cent</u> <u>Change</u>
Public Housing				
Operating Subsidy	\$ 233,734	\$ 125,452	\$ 108,282	86.3%
Capital Fund Program				
Grants	292,552	30,000	262,552	875.2%
Sec. 8 Voucher	<u>5,712,445</u>	<u>6,388,084</u>	<u>(675,639)</u>	<u>(105.8)%</u>
Total	<u>\$6,238,731</u>	<u>\$6,543,536</u>	<u>\$ (304,805)</u>	<u>(4.7)%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Section 8 decreased due to the Housing Commission's being overfunded during the prior year. The subsidy for Public Housing increased by \$108,282, but the Housing Commission has no control over HUD's method of funding. The increase could have been a combination of the formula being higher this fiscal year and a performance bonus for being a high performer. The increase in the Capital Fund Program was due to the fact that work projects during the fiscal year ending March 31, 2008 progressed along more rapidly than the prior year, thus utilizing more of our Capital Fund Program funding in the fiscal year ending March 31, 2008 than in the fiscal year ending March 31, 2007.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending March 31, 2008 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

**Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008**

OPERATIONAL HIGHLIGHTS

The Taylor Housing Commission provided the following housing for low-income elderly, disabled, and families:

	March 31, 2008	March 31, 2007
Low Rent Public Housing	102	102
Sec. 8 Housing Choice Voucher	979	962

During the fiscal year ending March 31, 2008, Taylor Housing Commission maintained a lease-up rate of 97.1% in its Public Housing Program and a lease-up rate of 98.6% in its Section 8 program.

CAPITAL ASSETS

During the fiscal year ending March 31, 2008, our Capital Fund Program work projects included:

Building improvements, new computers, outside management fees, and frame in door opening, drywall and cabinets.

We are planning on spending capital fund monies for the fiscal year ending March 31, 2009 for a new parking lot, resurfacing the existing parking lot, and new desks for the administrative offices.

The Taylor Housing Commission's investment in capital assets, as of March 31, 2008 amounts to \$2,428,893 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, and construction in progress.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
MARCH 31,**

	2008	2007	Dollar Change
Land	\$ 760,000	\$ 760,000	\$
Buildings	4,144,146	4,143,266	880
Furniture, equipment and machinery - dwellings	287,506	220,993	66,513
Furniture, equipment and machinery - administration	187,129	233,898	(46,769)
Construction in progress	317,004	15,000	302,004
	5,695,785	5,373,157	322,628
Accumulated depreciation	(3,266,892)	(3,109,480)	(157,412)
Total	<u>\$ 2,428,893</u>	<u>\$ 2,263,677</u>	<u>\$ 165,216</u>

Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008

CAPITAL ASSETS (CONTINUED):

Capital assets decreased by \$165,216, because capital outlays were \$322,628, and depreciation of \$157,412.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes).

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Mary Rademacher, Acting Executive Director
Taylor Housing Commission
15270 Plaza South Drive
Taylor, MI 48180

FINANCIAL STATEMENTS

TAYLOR HOUSING COMMISSION
STATEMENT OF NET ASSETS
March 31, 2008
=====

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 523,738
Cash-restricted	2,364,025
Receivables	1,040
Note receivable	50,000
Prepaid expenses	<u>10,158</u>
Total Current Assets	<u>2,948,961</u>
Capital Assets:	
Land	760,000
Buildings	4,144,146
Equipment	474,635
Construction in progress	<u>317,004</u>
	5,695,785
Less: accumulated depreciation	<u>(3,266,892)</u>
Net Capital Assets	<u>2,428,893</u>
Total Assets	<u>\$ 5,377,854</u>

See notes to financial statements

TAYLOR HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
March 31, 2008
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 20,598
Tenant security deposit liability	29,343
Accrued expenses	6,073
Deferred revenues	<u>493</u>
Total Current Liabilities	56,507
Noncurrent liabilities:	
Accrued compensated absences	<u>11,063</u>
Total Liabilities	<u>67,570</u>
Net Assets:	
Invested in capital assets	2,428,893
Restricted net assets	2,364,025
Unrestricted net assets	<u>517,366</u>
Total Net Assets	<u>5,310,284</u>
Total Liabilities and Net Assets	<u>\$ 5,377,854</u>

See notes to financial statements

TAYLOR HOUSING COMMISSION
**STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS**
 Year Ended March 31, 2008
 =====

OPERATING REVENUES:

Dwelling rent	\$ 292,323
Nondwelling rent	7,959
Operating grants	<u>5,961,179</u>

Total operating revenues	<u>6,261,461</u>
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OPERATING EXPENSES:

Administration	391,627
Tenant services	3,226
Utilities	143,461
Ordinary maintenance and operation	340,524
General expenses	18,196
Housing assistance payments	5,880,512
Depreciation	<u>157,412</u>

Total operating expenses	<u>6,934,958</u>
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Operating income(loss)	<u>(673,497)</u>
------------------------	-------------------

NONOPERATING REVENUES:

Investment interest income	42,321
Other income	<u>20,370</u>

Total nonoperating revenues	<u>62,691</u>
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Income(loss) before contributions	(610,806)
-----------------------------------	------------

CAPITAL CONTRIBUTIONS

	<u>277,552</u>
--	----------------

Change in net assets	(333,254)
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Prior period adjustments, equity transfers and correction of errors	(38,612)
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Net assets, beginning	<u>5,682,150</u>
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Net assets, ending	<u><u>\$ 5,310,284</u></u>
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See notes to financial statements

TAYLOR HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended March 31, 2008
=====

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 298,147
Cash received from operating grants	5,961,179
Cash payments to other suppliers of goods and services	(6,368,902)
Cash payments to employees for services	<u>(421,113)</u>
Net cash (used) by operating activities	<u>(530,689)</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES:

Tenant security deposits	(4,653)
Other revenue	<u>20,370</u>
Net cash provided by noncapital financing activities	<u>15,717</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Loan made to Taylor Cares, LLC	50,000
Capital grants	277,552
Payments for capital acquisitions	<u>(322,627)</u>
Net cash (used) by capital and related financing activities	<u>(95,075)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments decreased by	367,987
Receipts of interest and dividends	<u>42,321</u>
Net cash provided by investing activities	<u>410,308</u>

Net increase(decrease) in cash	(199,739)
--------------------------------	------------

Cash and cash equivalents, beginning	<u>3,087,502</u>
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Cash and cash equivalents, ending	<u><u>\$ 2,887,763</u></u>
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TAYLOR HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2008
=====

RECONCILIATION OPERATING INCOME(LOSS)
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES:

Operating income(loss)	\$(673,497)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	157,412
Bad debt allowance	115
Prior period adjustment	(38,613)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	2,152
Prepaid expenses	24,556
Increase (decrease) in liabilities:	
Accounts payable	1,937
Accrued wage/payroll taxes payable	(2,518)
Accrued compensated absences	2,054
Deferred revenues	<u>(4,287)</u>
Net cash (used) by operating activities	<u><u>\$(530,689)</u></u>

See notes to financial statements

TAYLOR HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2008
=====

NOTE 1: Summary of Significant Accounting Policies

The Taylor Housing Commission (the Housing Commission) is a component unit of the City of Taylor, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Taylor on May 29, 1967, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
---------------------	--------------------

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria, other than the Taylor Community Development Corporation (a not-for-profit Michigan Corporation).

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current

1(c) Measurement Focus and Basis of Accounting (Continued)

Measurement Focus (Continued)

or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

1(d) Assets, Liabilities, and Equity (Continued)

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission adopts a formal operating budget each year for it's operating programs and on a project length basis for it's capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$1,500 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings & improvements	15 -40 years
Maintenance and dwelling equipment	3 -10 years
Office equipment	3 - 7 years
Other	7 -15 years

1(d) Assets, Liabilities, and Equity (Continued)

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".
- c. Restricted net assets - Consists of net assets of the Housing Choice Voucher Program that are restricted by HUD because of excess funding, but are expendable for HAP payments.

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise fund are charges to tenants for rents, nondwelling rents, and operating grants from HUD. Operating expenses for the enterprise fund include the cost of administrative, tenant services, utilities, ordinary maintenance and operation, general, interest, casualty losses, extraordinary maintenance, housing assistance payments, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1(e) Revenues, Expenditures, and Expenses (Continued)

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD
Housing Choice Vouchers	U.S. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.

2(b) Deposits and Investments Laws and Regulations (Continued)

- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended March 31, 2008, the Housing Commission complied, in all material respects, with these revenue restrictions.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at March 31, 2008. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

3(a) Cash and Investments (Continued)

Deposits (Continued)

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 62,357	\$ 62,357	\$	\$	\$ 57,904
Certificate of deposits	<u>2,829,209</u>	<u>100,000</u>	<u>2,729,209</u>		<u>2,829,209</u>
	<u>\$2,891,566</u>	<u>\$ 162,357</u>	<u>\$2,729,209</u>	<u>\$</u>	<u>\$2,887,113</u>

Investments

The Housing Commission did not have any investments as of March 31, 2008.

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Cash on hand	\$ 650
Carrying amount of deposits	<u>2,887,113</u>
Total	<u>\$2,887,763</u>
Cash and investments:	
Enterprise activities	\$2,892,216
Enterprise activities - checks written in excess of deposits	<u>(4,453)</u>
Total	<u>\$2,887,763</u>

3(b) Receivables

Receivables detail at March 31, 2008, is as follows:

Tenant accounts receivable	\$ 1,155
Allowance for doubtful accounts	<u>(115)</u>
	<u>\$ 1,040</u>

3(c) Note Receivable

In September 2007, Taylor Community Development Corporation (TCDC) (a component unit) established Taylor Cares, LLC (of which TCDC is the sole member) in order to participate in the Dollar Sales Program that is operated by the U.S. Department of HUD. The Housing Commission made a short-term cash advance of \$50,000 to Taylor Cares, LLC in order to fund their initial operating expenses during the fiscal year ending March 31, 2008. The management of Taylor Cares, LLC plans on repaying this liability as cash flow allows.

3(d) Capital Assets

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Balance 03/31/07</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 03/31/08</u>
Low Rent Program				
Land	\$ 760,000	\$	\$	\$ 760,000
Buildings	4,143,266	880		4,144,146
Furniture, equip. & machinery - dwellings	220,993	2,629		223,622
Furniture, equip. & machinery - administration	<u>170,014</u>	<u>17,115</u>		<u>187,129</u>
	5,294,273	<u>\$ 20,624</u>	<u>\$</u>	5,314,897
Less accumulated depreciation	<u>(3,076,953)</u>	<u>\$(152,932)</u>	<u>\$</u>	<u>(3,229,885)</u>
Total	<u>\$2,217,320</u>			<u>\$2,085,012</u>
Capital Fund Program				
Construction in progress	<u>\$ 15,000</u>	<u>\$ 317,004</u>	<u>\$(15,000)</u>	<u>\$ 317,004</u>
Housing Choice Voucher Program				
Furniture, equip. & machinery - administration	\$ 63,884	<u>\$</u>	<u>\$</u>	\$ 63,884
Less accumulated depreciation	<u>(32,527)</u>	<u>\$(4,480)</u>	<u>\$</u>	<u>(37,007)</u>
Total	<u>\$ 31,357</u>			<u>\$ 26,877</u>
Combined Totals				<u>\$2,428,893</u>

Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:	
Low Rent Program	\$ 152,932
Housing Choice Voucher Program	<u>4,480</u>
	<u>\$ 157,412</u>

3(e) Accounts Payable

Payable detail at March 31, 2008, is as follows:

Accounts payable - vendors	<u>\$ 20,598</u>
----------------------------	------------------

3(f) Accrued Expenses

Accrued expense detail at March 31, 2008, is as follows:

Accrued wage/payroll taxes payable	\$ 4,844
Accrued compensated absences-current portion	<u>1,229</u>
	<u>\$ 6,073</u>

3(g) Non-current Liabilities

As of March 31, 2008, the non-current liabilities are comprised of the following:

Accrued compensated absences - noncurrent portion	<u>\$ 11,063</u>
--	------------------

The following is a summary of changes in non-current liabilities for the year ended March 31, 2008:

	Balance			Balance	Amounts
	<u>03/31/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>03/31/08</u>	<u>Due within</u>
					<u>One Year</u>
Accrued compensated absences	<u>\$ 9,214</u>	<u>\$ 1,849</u>	<u>\$</u>	<u>\$ 11,063</u>	<u>\$ 1,229</u>

3(h) Interprogram Transactions and Balances

Operating Transfers

There was an operating transfer of \$15,000 from the capital fund program to the low rent program during the fiscal year ended March 31, 2008.

Interprogram Receivable/Payable

Housing Choice Voucher Program	\$ 53,813
Low Rent Program	<u>(53,813)</u>
	<u>\$</u>

NOTE 4: Other Notes

4(a) Employee Retirement Plan

Each employee is covered under a defined benefit plan with the Michigan Municipal Employees Retirement System (MERS) that provides for annual employer contributions with complete vesting after 10 years of service and normal retirement age at 60 years of age. At December 31, 2007, the date of the last completed actuarial evaluation, the Housing Commission's present value of accrued benefits (PVAB) was \$127,856. The valuation of assets to meet this obligation was \$175,396, therefore the overfunded (PVAB) is

NOTE 4: Other Notes (Continued)

4(a) Employee Retirement Plan (Continued)

\$47,540. The Termination Liability of \$154,490 represents the present value of benefits payable in the event that all active members terminate employment on December 31, 2007, based upon the valuation interest and mortality assumptions. The Housing Commission computed employer contributions as a percentage of payroll of 6.32%. The Housing Commission's estimated monthly dollar contribution is \$1,143. The annual payroll is \$216,962 with five(5) active members, no vested former members, and no retirees and beneficiaries.

4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Injuries to employees (workers' compensation)	Purchased with the Accident Fund Insurance Company.
b. Liability	Purchased commercial insurance from Housing Authority Risk Retention Group.
c. Property	Purchased commercial insurance from Housing Insurance Services, Inc.
d. Health, life, dental, and optical	Included in the City of Taylor plan.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(c) Commitments and Contingencies

Commitments - Construction

At March 31, 2008, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2005 CFP	\$ 125,100	\$ 125,100
2006 CFP	110,290	110,290
2007 CFP	107,162	87,162

Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4(d) Prior Period Adjustments, Equity Transfers and Correction of Errors

Low Rent Program

Prior year capital purchases reclassified to cfp program	\$ (24,451)
Prior period adjustment for prepaid insurance and insurance expense	<u>(38,613)</u>
	<u>\$ (63,064)</u>

Capital Fund Program

Prior year purchases reclassified to cfp program in current year	<u>\$ 24,452</u>
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SUPPLEMENTARY INFORMATION

TAYLOR HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM
 March 31, 2008
 =====

	C-871 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 104,807	\$
Cash-restricted		
Accounts receivable-tenants	1,040	
Note receivable-current	50,000	
Prepaid expenses	10,158	
Due from other programs	<u> </u>	<u> </u>
Total current assets	<u>166,005</u>	<u> </u>
Capital assets:		
Land	760,000	
Buildings	4,144,146	
Equipment	410,751	
Construction in progress	<u> </u>	<u>317,004</u>
	5,314,897	317,004
Less accumulated depreciation	<u>(3,229,885)</u>	<u> </u>
Net capital assets	<u>2,085,012</u>	<u>317,004</u>
Total Assets	<u>\$ 2,251,017</u>	<u>\$ 317,004</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 418,931	\$ 523,738
2,364,025	2,364,025
	1,040
	50,000
	10,158
<u>53,813</u>	<u>53,813</u>
 <u>2,836,769</u>	 <u>3,002,774</u>
	760,000
	4,144,146
63,884	474,635
	<u>317,004</u>
<u>63,884</u>	5,695,785
<u>(37,007)</u>	<u>(3,266,892)</u>
 <u>26,877</u>	 <u>2,428,893</u>
 <u>\$2,863,646</u>	 <u>\$ 5,431,667</u>

TAYLOR HOUSING COMMISSION
 COMBINING STATEMENT OF NET ASSETS
 BY PROGRAM (CONTINUED)
 March 31, 2008
 =====

	C-871 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 20,598	\$
Tenant security deposit liability	29,343	
Accrued expenses	6,073	
Deferred revenues	493	
Due to other programs	<u>53,813</u>	
Total current liabilities	110,320	
Noncurrent liabilities:		
Accrued compensated absences	<u>11,063</u>	
Total liabilities	<u>121,383</u>	
Net Assets:		
Invested in capital assets	2,085,012	317,004
Restricted net assets		
Unrestricted net assets	<u>44,622</u>	
Total net assets	<u>2,129,634</u>	<u>317,004</u>
Total Liabilities and Net Assets	<u>\$2,251,017</u>	<u>\$ 317,004</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 20,598
	29,343
	6,073
	493
	53,813
	110,320
	11,063
	121,383
26,877	2,428,893
2,364,025	2,364,025
472,744	517,366
2,863,646	5,310,284
<u>\$2,863,646</u>	<u>\$ 5,431,667</u>

TAYLOR HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS BY PROGRAM**
 Year Ended March 31, 2008
 =====

	C-871 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 292,323	\$
Nondwelling rent	7,959	
Operating grants	<u>233,734</u>	<u>15,000</u>
Total operating revenues	<u>534,016</u>	<u>15,000</u>
OPERATING EXPENSES:		
Administration	102,651	
Tenant services	3,226	
Utilities	143,461	
Ordinary maintenance and operation	259,118	
General expenses	18,196	
Housing assistance payments		
Depreciation	<u>152,932</u>	
Total operating expenses	<u>679,584</u>	
Operating income(loss)	<u>(145,568)</u>	<u>15,000</u>
NONOPERATING REVENUES:		
Operating transfers in(out)	15,000	(15,000)
Investment interest income	2,099	
Other income	<u>20,370</u>	
Total nonoperating revenues	<u>37,469</u>	<u>(15,000)</u>
Income(loss) before contributions	(108,099)	
CAPITAL CONTRIBUTIONS		<u>277,552</u>
Change in net assets	(108,099)	277,552
Prior period adjustments, equity transfers and correction of errors	(63,064)	24,452
Net assets, beginning	<u>2,300,797</u>	<u>15,000</u>
Net assets, ending	<u>\$2,129,634</u>	<u>\$317,004</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 292,323
	7,959
<u>5,712,445</u>	<u>5,961,179</u>
<u>5,712,445</u>	<u>6,261,461</u>
288,976	391,627
	3,226
	143,461
81,406	340,524
	18,196
5,880,512	5,880,512
<u>4,480</u>	<u>157,412</u>
<u>6,255,374</u>	<u>6,934,958</u>
(542,929)	(673,497)
40,222	42,321
	<u>20,370</u>
<u>40,222</u>	<u>62,691</u>
(502,707)	(610,806)
	<u>277,552</u>
(502,707)	(333,254)
	(38,612)
<u>3,366,353</u>	<u>5,682,150</u>
<u>\$2,863,646</u>	<u>\$ 5,310,284</u>

TAYLOR HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended March 31, 2008

=====

	C-871 Low Rent Program 14.850a	Capital Fund Program 14.872
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 298,147	\$
Cash received from operating grants	233,734	15,000
Cash payments to other suppliers of goods and services	(349,871)	
Cash payments to employees for services	(189,250)	
Net cash provided (used) by operating activities	(7,240)	15,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interprogram due to (from)	27,776	
Operating transfers in(out)	15,000	(15,000)
Tenant security deposits	(4,653)	
Other revenue	20,370	
Net cash provided (used) by noncapital financing activities	58,493	(15,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Loan made to Taylor Cares, LLC	(50,000)	
Capital grants		277,552
Payments for capital acquisitions	(45,075)	(277,552)
Net cash (used) by capital and related financing activities	(95,075)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments decreased by	108,106	
Receipts of interest and dividends	2,099	
Net cash provided by investing activities	110,205	
Net increase(decrease) in cash	66,383	
Cash and cash equivalents, beginning	38,424	
Cash and cash equivalents, ending	\$ 104,807	\$

Housing Choice Vouchers 14.871	Totals
\$ 5,712,445	\$ 298,147 5,961,179
(6,019,031)	(6,368,902)
<u>(231,863)</u>	<u>(421,113)</u>
<u>(538,449)</u>	<u>(530,689)</u>
(27,776)	
	(4,653)
	<u>20,370</u>
<u>(27,776)</u>	<u>15,717</u>
	(50,000)
	277,552
	<u>(322,627)</u>
	<u>(95,075)</u>
259,881	367,987
<u>40,222</u>	<u>42,321</u>
<u>300,103</u>	<u>410,308</u>
(266,122)	(199,739)
<u>3,049,078</u>	<u>3,087,502</u>
<u>\$ 2,782,956</u>	<u>\$ 2,887,763</u>

TAYLOR HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)

Year Ended March 31, 2008

=====

C-871	Capital
Low Rent	Fund
Program	Program
<u>14.850a</u>	<u>14.872</u>

**RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED BY
OPERATING ACTIVITIES:**

Operating income(loss)	\$(145,568)	\$ 15,000
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:		
Depreciation	152,932	
Bad debt allowance	115	
Prior period adjustment	(38,613)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	2,152	
Prepaid expenses	24,556	
Increase (decrease) in liabilities:		
Accounts payable	1,937	
Accrued wage/payroll taxes payable	(2,518)	
Accrued compensated absences	2,054	
Deferred revenues	<u>(4,287)</u>	
Net cash (used) by operating activities	<u><u>\$(7,240)</u></u>	<u><u>\$ 15,000</u></u>

Housing Choice Vouchers 14.871	Totals
\$ (542,929)	\$ (673,497)
4,480	157,412
	115
	(38,613)
	2,152
	24,556
	1,937
	(2,518)
	2,054
	(4,287)
<u>\$ (538,449)</u>	<u>\$ (530,689)</u>

TAYLOR HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2008

=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2008	Low Rent Public Housing	14.850a	\$ 233,734
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2008	Capital Fund Program	14.872	292,552
	<u>Low Income Public Housing Major - Direct Program</u>		
2008	Housing Choice Vouchers	14.871	<u>5,712,445</u>
	Total		<u>\$6,238,731</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

TAYLOR HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2008

=====

FDS Line Item No.		C-871 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 75,464	\$
113	Cash-other restricted		
114	Cash-tenant security deposits	<u>29,343</u>	
100	Total cash	<u>104,807</u>	
	Receivables:		
126	A/R-tenants-dwelling rents	1,155	
126.1	Allowance for doubtful accounts - dwelling rents	(115)	
127	Note receivable-current	<u>50,000</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>51,040</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	10,158	
144	Interprogram due from		
	Total other current assets	<u>10,158</u>	
150	Total current assets	<u>166,005</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	760,000	
162	Buildings	4,144,146	
163	Furn, equip & mach-dwellings	223,622	
164	Furn, equip & mach-admin.	187,129	
166	Accumulated depreciation	(3,229,885)	
167	Construction in progress		<u>317,004</u>
160	Total fixed assets, net of accumulated depreciation	<u>2,085,012</u>	<u>317,004</u>
180	Total noncurrent assets	<u>2,085,012</u>	<u>317,004</u>
190	Total Assets	<u>\$ 2,251,017</u>	<u>\$317,004</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 418,931	\$ 494,395
2,364,025	2,364,025
	<u>29,343</u>
<u>2,782,956</u>	<u>2,887,763</u>
	1,155
	(115)
	<u>50,000</u>
	<u>51,040</u>
	10,158
<u>53,813</u>	<u>53,813</u>
<u>53,813</u>	<u>63,971</u>
<u>2,836,769</u>	<u>2,952,774</u>
	760,000
	4,144,146
63,884	287,506
	187,129
(37,007)	(3,266,892)
	<u>317,004</u>
<u>26,877</u>	<u>2,428,893</u>
<u>26,877</u>	<u>2,428,893</u>
<u>\$2,863,646</u>	<u>\$ 5,431,667</u>

TAYLOR HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2008
=====

FDS Line Item No.		C-871 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 20,598	\$
321	Accrued wage/payroll taxes payable	4,844	
322	Accrued compensated absences-current portion	1,229	
341	Tenant security deposits	29,343	
342	Deferred revenues	493	
347	Interprogram due to	<u>53,813</u>	
310	Total current liabilities	110,320	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>11,063</u>	
300	Total liabilities	<u>121,383</u>	
	Net Assets:		
508.1	Invested in capital assets	<u>2,085,012</u>	<u>317,004</u>
508	Total invested in capital assets	2,085,012	317,004
511.1	Restricted net assets		
512.1	Unrestricted net assets	<u>44,622</u>	
513	Total Net Assets	<u>2,129,634</u>	<u>317,004</u>
600	Total Liabilities and Net Assets	<u>\$ 2,251,017</u>	<u>\$317,004</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 20,598
	4,844
	1,229
	29,343
	493
	<u>53,813</u>
	110,320
	<u>11,063</u>
	<u>121,383</u>
<u>26,877</u>	<u>2,478,893</u>
26,877	2,428,893
2,364,025	2,364,025
<u>472,744</u>	<u>517,366</u>
<u>2,863,646</u>	<u>5,310,284</u>
<u>\$2,863,646</u>	<u>\$ 5,431,667</u>

TAYLOR HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2008
=====

FDS Line Item No.		C-871 Low Rent Program 14.850a	Capital Fund Program 14.872
	Revenue:		
703	Net tenant rental revenue	\$ 292,323	\$
704	Tenant revenue-other	<u>7,959</u>	<u></u>
705	Total tenant revenue	300,282	
706	HUD PHA grants	233,734	15,000
706.1	Capital grants		277,552
711	Investment income-unrestricted	2,099	
715	Other income	20,370	
720	Investment income-restricted	<u></u>	<u></u>
700	Total revenue	<u>556,485</u>	<u>292,552</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	65,712	
912	Auditing fees	7,050	
914	Compensated absences	2,054	
915	Employee benefit contributions-adm.	21,028	
916	Other operating-administrative	6,807	
	Tenant Services:		
924	Tenant services-other	3,226	
	Utilities:		
931	Water	22,355	
932	Electricity	70,608	
933	Gas	50,270	
938	Other utilities expense	228	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	75,752	
942	Ordinary maint & oper-mat'ls & other	25,601	
943	Ordinary maint & oper-contract costs	133,525	
945	Employee benefit contributions	24,240	
	General expenses:		
961	Insurance premiums	18,081	
964	Bad debt-tenant rents	<u>115</u>	<u></u>
969	Total operating expenses	<u>526,652</u>	<u></u>
970	Excess operating revenue over operating expenses	<u>29,833</u>	<u>292,552</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 292,323
	7,959
	300,282
5,712,445	5,961,179
1,408	277,552
	3,507
	20,370
38,814	38,814
5,752,667	6,601,704
141,360	207,072
3,600	10,650
	2,054
45,235	66,263
98,781	105,588
	3,226
	22,355
	70,608
	50,270
	228
	75,752
	25,601
81,406	214,931
	24,240
	18,081
	115
370,382	897,034
5,382,285	5,704,670

TAYLOR HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2008
=====

FDS Line Item No.		C-871 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
973	Housing assistance payments		
974	Depreciation expense	<u>152,932</u>	<u> </u>
	Total other expenses	<u>152,932</u>	<u> </u>
900	Total expenses	<u>679,584</u>	<u> </u>
	Other Financing Sources (Uses):		
1001	Operating transfers in(out)	<u>15,000</u>	<u>(15,000)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(108,099)	277,552
1103	Beginning Net Assets	2,300,797	15,000
1104	Prior period adjustments, equity transfers and correction of errors	<u>(63,064)</u>	<u>24,452</u>
	Ending Net Assets	<u>\$ 2,129,634</u>	<u>\$317,004</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
5,880,512	5,880,512
<u>4,480</u>	<u>157,412</u>
<u>5,884,992</u>	<u>6,037,924</u>
<u>6,255,374</u>	<u>6,934,958</u>
<u> </u>	<u> </u>
(502,707)	(333,254)
3,366,353	5,682,150
<u> </u>	<u>(38,612)</u>
<u>\$2,863,646</u>	<u>\$ 5,310,284</u>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Taylor Housing Commission
Taylor, Michigan

I have audited the financial statements of the business-type activities of Taylor Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2008, which comprise the Housing Commission's basic financial statements and have issued my report thereon dated December 3, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential will not be prevented or detected by the Housing Commission's internal control.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Taylor Housing Commission
Page Two

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Commission's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items **2008-1**.

The Housing Commission's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the Housing Commission's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, Board of Housing Commissioners, others within the entity, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Standish, CPA, PC

December 3, 2008

**Report on Compliance with Requirements
Applicable To Each Major Program and
on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Taylor Housing Commission
Taylor, Michigan

Compliance

I have audited the compliance of the Taylor Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2008. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements
Applicable to Each Major Program and
on Internal Control Over Compliance in
Accordance with OMB Circular A-133
Taylor Housing Commission
Page Two

Compliance (continued)

As described in items 2008-2, 2008-3, and 2008-4, respectively, in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding, HQS quality control inspections, rent reasonable testing, and the utility allowance schedule that are applicable to the Housing Choice Voucher program. Compliance with such requirements is necessary, in my opinion, for the Housing Commission, to comply with the requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, the Housing Commission, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 2008.

Internal Control Over Compliance

The management of the Housing Commission, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Report on Compliance with Requirements
Applicable to Each Major Program and
on Internal Control Over Compliance in
Accordance with OMB Circular A-133
Taylor Housing Commission
Page Three

Internal Control Over Compliance (Continued)

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

The Housing Commission's response to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the Housing Commission's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, Board of Housing Commissioners, others within the entity, the City of Taylor, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary Standish, MA, PC

December 3, 2008

TAYLOR HOUSING COMMISSION
STATUS OF PRIOR AUDIT FINDINGS
March 31, 2008
=====

Finding Item 2007-1: Required and recommended documentation was missing, incorrect, or incomplete in the Low Rent Public Housing program tenant files. This finding has been **cleared**.

Finding Item 2007-2: Required and recommended documentation was missing, incorrect, or incomplete in the Housing Choice Voucher program tenant files. The Housing Commission has improved considerably, I only found 11 exceptions this fiscal year and they were all corrected before I completed my fieldwork. This finding has been **cleared**.

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
March 31, 2008
=====

SECTION I - SUMMARY OF AUDITOR RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Taylor Housing Commission.
2. There are no control deficiencies disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Taylor Housing Commission were disclosed during the audit, but there was one compliance finding that is considered a significant deficiency.
4. There were no significant deficiencies in internal control over major federal award programs disclosed during the audit. There were three significant deficiencies on compliance over the Housing Choice Voucher program a major federal award program.
5. The auditor's report on compliance for the major federal award programs for Taylor Housing Commission expresses a qualified opinion on the Housing Choice Voucher program.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

Housing Choice Voucher program CFDA No. 14.871
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Taylor Housing Commission was not determined to be a low risk auditee.

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2008
=====

SECTION II - FINANCIAL STATEMENT FINDINGS

Low Rent Public Housing Program - CFDA No. 14.850a

FINDING ITEM 2008-1: Procurement Policy

Criteria: 24 CFR 85 and HUD Handbook 7460.8 REV.2 (March 2007). Part 85 is the section of the Code of Federal Regulations, Title 24 that includes the administrative requirements for grantees receiving federal funds. Part 85 provides guidance on developing a procurement policy and system, important parts of a contract administration system, general guidance on the standard of conduct for PHA employees involved in procurement of goods and services, requirements for price and cost analysis. The handbook was revised in March 2007 and incorporates changes in Federal laws and regulations.

Statement of Condition: The current procurement policy is dated September 2000. Also, the amended By-laws, dated May 25, 2000, mentions purchasing actions under \$5,000.

Questioned Costs: None

Perspective Information: HUD's new Handbook revision has been updated to clarify, simplify, and update procurement requirements for public housing. It incorporates changes in Federal laws, regulations, and other instructions.

Cause: The Housing Commission is in the process of updating policies, but had not gotten to the procurement policy.

Effect or Potential Effect: The Housing Commission may not be following Federal laws and regulations.

Recommendation: I recommend that the Housing Commission obtain the new handbook and adopt a new procurement policy to be in compliance. Also, I recommend the Housing Commission change its' By-laws to eliminate any mention of purchasing actions.

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2008
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 2008-2: HQS Quality Control Inspections

Criteria: 24 CFR 985.2 Definitions. 24 CFR 985.3 Indicators, HUD verification methods and ratings.

Statement of Condition: During testing of the tenant files and through an interview, it was discovered that HQS Quality Control Inspections were not done in sufficient numbers and in one case was done more than three months after the original inspection.

Questioned Costs: None

Perspective Information: The Housing Commission has 979 vouchers to inspect. The Housing Commission's staff completed 16 quality control inspections, but 19 HQS inspections should have been conducted.

Cause: The staff in charge of this program didn't perform HQS Quality Control Inspections in sufficient numbers and in one case not within the required three month period after the original inspection.

Effect or Potential Effect: Tenants may be living in units that do not meet HQS Standards and there may not be proper supervision of inspections.

Recommendation: It is recommended that the staff perform HQS Quality Control Inspections in the future in sufficient numbers to meet the requirements of 24 CFR 985.2 Definitions. The staff should also make sure that HQS Quality Control Inspections are done within the three month time frame required by 24 CFR 985.3 Indicators, HUD verification methods and ratings.

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2008
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 2008-3: Rent Reasonable Testing

Criteria: 24 CFR 982.507 Rent to owner: Reasonable rent. 24 CFR 985.3 Indicators, HUD verification methods and ratings.

Statement of Condition: During testing of the tenant files and through an interview, it was discovered that there was one missing factor, the square foot of the units. All of the required factors must be used in comparing the tenant's property to the unassisted properties.

Questioned Costs: None

Perspective Information: Five tenant files were selected at random to test.

Cause: The staff member in charge of this program didn't consider one of the factors required by HUD in the rent reasonable testing.

Effect or Potential Effect: Tenants may have charged rents that were too high.

Recommendation: The Taylor Housing Commission must consider all of the factors required by HUD when doing rent reasonable testing.

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2008
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 2008-4: Utility Allowance Schedule

Criteria: 24 CFR 982.158 Program accounts and records. 24 CFR 982.517 Utility allowance schedule. 24 CFR 985.3 Indicators, HUD verification methods and ratings. [24 CFR 985.3(d) Utility Allowance Schedule]

Statement of Condition: Although utility allowance reports were available for October 10/01/06 and 07/21/08, the data and any analysis of that data were not made available to the auditor to review.

Questioned Costs: None

Cause: The staff failed to do a study of the utility data in the required time frame, or did not provide the information to the auditor.

Effect or Potential Effect: If there has been a rate of change of 10% or more for a utility category or fuel type since the last time the utility allowance schedule was revised, then the utility allowance schedule the Taylor Housing Commission has been using would be incorrect.

Recommendation: The Taylor Housing Commission should perform a study of the utilities and update the utility schedule as required in the future. The Taylor Housing Commission should review utility rate data every 12 months and adjust its utility allowance schedule if there is a change of 10 percent or more in a utility rate since the last time the utility allowance schedule was revised. Proper records must be maintained to support that the data was collected and analyzed.

TAYLOR HOUSING COMMISSION
CORRECTIVE ACTION PLAN
March 31, 2008
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FINANCIAL STATEMENT FINDINGS

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 2008-1: Procurement Policy

The Housing Commission disagrees with the auditor that the Housing Commission may not be following Federal Rules and Regulations. The Housing Commission consistently follows the Procurement Policy to be in compliance with federal laws and regulations. We recognize that the policy must be updated which will be done and adopted by the Board and submitted to HUD by December 31, 2008. The Housing Commission has hired a consultant to update the procurement policy and the Board is responsible for approving the policy.

FEDERAL AWARD FINDINGS

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 2008-2: HQS Quality Control Inspections

The Housing Commission performed 16 quality control inspections, 19 should have been completed. The Housing Commission will ensure that quality control inspections are done within the three month period of the original inspection. The correct number of quality control inspections began immediately on September 9, 2008, once the auditor's fieldwork was completed. The Housing Choice Voucher program's staff will be responsible for performing the proper number of HQS inspections.

FEDERAL AWARD FINDINGS

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 2008-3: Rent Reasonable Testing

This statement is too general and broad. The square foot of the unit data was missing. Subsequent to the audit the Housing Commission obtained the data and placed it in the folder(s). The Housing Choice Voucher program's staff will be responsible for obtaining all of factors for the rent reasonable tests.

FEDERAL AWARD FINDINGS

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 2008-4: Utility Allowance Schedule

The Housing Commission updated its utility allowance schedule in October 2006. The utility allowance schedule will be updated by December 31, 2008 to be in compliance. The Acting Executive Director will be responsible for the update.

TAYLOR HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
March 31, 2008

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Electronic
Submission

<u>Line Item #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			
	(1)		
	Prior period adjustment		
	- prepaid insurance	\$38,613.38	
	Interprogram due to	38,550.00	
4195	Employee benefits-adm.	11,866.00	
4540	Employee benefits-maint.	21,254.00	
1211	Prepaid insurance		\$12,766.00
4610	Extraordinary maint.		7,466.26
4510	Insurance		90,051.12

	(2)		
	Note receivable-other	50,000.00	
	Construction in progress		50,000.00

HOUSING CHOICE VOUCHER PROGRAM

	(1)		
4195	Employee benefits-admin.	\$38,550.00	
508.1	Interprogram due from		\$38,550.00